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ABSTRACT

This module on owning and operating an inn is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions, and a group activity. Units (and subject matter) in this module are planning your business (competition; experience; personal qualities; special services; repeat business; legal requirements); choosing a location (convenience; overbuilding) getting money to start (financial arrangements; business description; starting expenses); being in charge (hiring staff; interviewing; training staff; employer-employee relationship; communication); setting prices (competition; break-even point; profit; things that affect prices); advertising and selling (kinds of ads; qualities of a good ad); keeping financial records (collecting the money; credit cards; daily cash sheet); buying and keeping track of supplies (inventory control; making reservations; work schedules); and keeping your business successful (profit/loss statement; how to improve profits; expanding your services). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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etc Entrepreneurship Training Components

GETTING DOWN TO BUSINESS:

Innkeeping

Module 13

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GETTING DOWN TO BUSINESS:

Innkeeping

Rachel L. Rassen

May 1981

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INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own inn?

This module describes people who have started and managed inns. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning an inn
- choosing a location
- getting money to start
- being in charge
- keeping track of supplies and schedules
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that innkeepers do.

Then you will have a better idea of whether a career as an innkeeper is for you.

Before you read this module, you might want to study Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read

- Module 9, Getting Down to Business: Travel Agency;
- Module 12, Getting Down to Business: Business and Personal Service;
- Module 22, Getting Down to Business: Restaurant Business.

These modules are related to other retail businesses.

UNIT 1

Planning an Inn

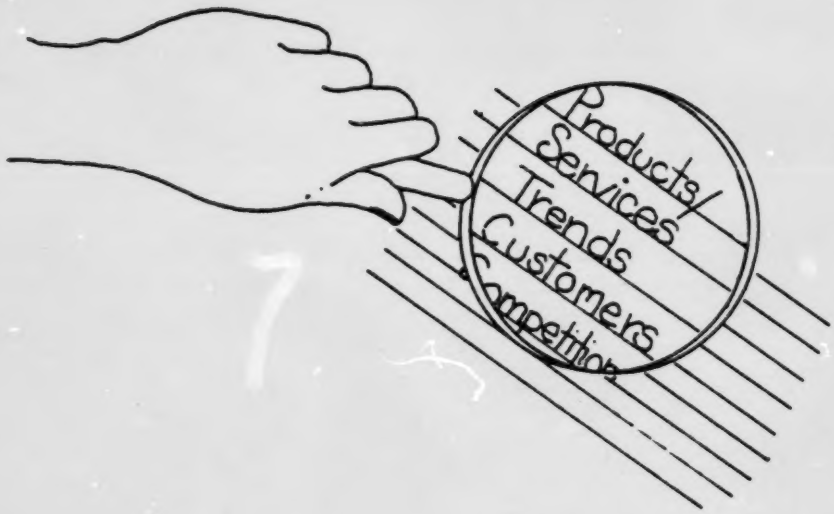
Goal: To help you plan your inn.

Objective 1: Describe the services, guests, and competition of an inn.

Objective 2: List three personal qualities an innkeeper or owner might have.

Objective 3: List three things an innkeeper can do to make an inn special and make it "stand out from the crowd."

Objective 4: List two of the legal requirements you might have to consider before opening.


Products/
Services
Trends
Customers
Competition

THE BED AND BREAKFAST INN

Jerry and Lynn Campbell had complementary interests and careers; Jerry was an interior architect, while Lynn designed fashion clothes for women. They lived in a residential section of San Francisco, not far from the downtown area and only a short cable car ride to the wharf.

They learned that one of the older and more run-down Victorian buildings in the neighborhood was about to be sold to a contractor who planned to tear down the building and replace it with profitable condominiums. With the belief and faith of true crusaders, they decided that they could not allow this to happen. Jerry and Lynn decided to buy the house themselves.

At first they thought they could save money by running their own business from the house. But the house needed too many repairs. It was a big three-story, 20-room house (with servants' quarters) built in an elegant Victorian Colonial style--a house that people often stopped to admire. Jerry and Lynn found out that the neighborhood zoning laws allowed them to open a small hotel. And they really needed the money to help make those payments!

Today the Bed and Breakfast Inn consists of 10 elegant rooms on the first two floors of the house; the third floor is kept as Jerry and Lynn's living area and Lynn's work space. Original stained glass windows delight the eye. Each room is decorated with period furniture; some rooms have private baths. Continental breakfasts are served in the guests' rooms, and each evening Jerry and Lynn serve wine in the library.

Jerry and Lynn have gone out of their way to create a casual, quiet, and private atmosphere for their inn. Guests have their own keys and can come and go as they please. Guests will tell you that the charm and comfort of this inn provide an unforgettable experience.

"We can't believe what we fell into just because we liked Victorian houses. We're both very private people, so at first we were really nervous about letting strangers into our wonderful dream house. But you know, the greatest thing about running an inn is the people--meeting people who appreciate the same things we really care about."

Planning an Inn

What Is an Inn?

Inns are small, independent hotels. Some people claim that hotels and motels have become more efficient but also more impersonal and cold. They look for small hotels and inns where the manager/innkeeper will remember their names, where each room has its own style, and where the atmosphere is casual, private, and perhaps a bit elegant. Often the owner lives in the same building. Running an inn, then, becomes a way of sharing your home with other people and making a business of it at the same time.

Is There Room for You?

As an innkeeper, you are selling comfort and hospitality--not just a place to sleep. Larger hotels and motels may be able to offer many more services and features than a small inn, but the personal touch is often lost--and missed by the guests. Guests appreciate the personal contact. It adds to their feelings of importance. Knowing that your inn has a friendly atmosphere, they probably will stop on their next trip. What is more, they will recommend your inn to their friends.

Are You the Type?

Before you rush off to see about opening an inn, stop and take a good look at yourself. Is this really the type of business you want to get into? Do you have the right skills and experiences, or do you need training in some area? Running an inn is a full-time job that demands

physical strength and stamina. It demands being able to handle pressures. It requires an aggressive approach to profit making. Innkeeping is a 24-hour-a-day job, with no days off. You must play the roles of both host (or hostess) and business manager.

Experience

You can get a lot of the experience you need to open an inn by working in a hotel or motel. If you do this, it will help you avoid many serious mistakes. Besides supervising employees (and you will need some help to run an inn), an innkeeper keeps records and has many daily responsibilities. You will oversee or work on the property, the grounds, and the rooms. You must supervise any services such as housekeeping, breakfast and coffee, travel arrangements, and pet services.

In addition to work experience, a course in hotel administration would be helpful. Management and supervisory training is also available through home study or group study courses. Courses are offered by the Educational Institute of the American Hotel and Motel Association and through the Small Business Administration (SBA) management training program.

Personal Qualities

Even if you have the skills and experience to run an inn, you may not like it. You may not like having to deal constantly with people, even on those days when you've gotten up on the wrong side of the bed. If you run an inn out of your house, you may not like the lack of privacy that comes with having people--your guests--in your house. Or you may not like the business aspects--bookkeeping, managing employees, etc. You may prefer to be working for someone else.

Service Is the Name of the Game

People will come to your inn if you have something special to offer. Here is a list of some of the special services that some inns offer:

- continental breakfast, served in the guests' rooms or in the dining rooms, including freshly squeezed orange juice;
- an invitation to relax and enjoy free wine and hors d'oeuvres in the late afternoon with the inn staff;
- fresh cut flowers and plants in the lobbies and guests' rooms;
- complimentary robes if two guestrooms share a common bathroom;
- coffee and tea service, available at all hours;
- parking service and facilities;
- the uniqueness of the house's decor and architecture; and
- arrangements for the convenience of the guests--a car, theatre tickets, a bouquet of flowers, a tour, a stenographer, or a picnic.

See what other hotels and motels are doing and decide how you can be the "right" inn for your area and customers.

Getting People to Come Back to You

People who enjoy staying at your inn will come back and send their friends. What will help them enjoy your inn?

You have to give your guests prompt and efficient service. Any business that offers a service to people must give good service to get people to come back. Deal with any complaint, no matter how small. Rooms, beds, and bathrooms should be neat and clean. These are the basics.

If a guest complains or makes a request, do something about it at once. The most important thing to remember in the inn business is that these people are your guests as well as your customers.

You have to be nice about it. Serve your guests with a smile. You are in the hospitality business. Being thoughtful and considerate is the key to getting people to come back to you.

Legal Requirements

The legal requirements for opening and running an inn will depend on your location, the number of rooms in your inn, and the types of services you provide. Contact the zoning department of your city or county to make sure that your location is zoned for your business. There may be zoning restrictions about running an inn or a hotel in your neighborhood. Some cities require business licenses just to open. You may have to file a "fictitious name statement" with the county. Since the name of the business may not have your name in it, this is a statement telling who the owner is. If you are going to provide your guests with some kind of food service, you will have to follow federal and state health and safety laws. If you serve alcohol, you will be required to get a liquor license.

There are also requirements to meet if you hire employees. You will have to file with the IRS for an employer identification number for your tax forms. You may also need unemployment insurance, disability insurance, and workman's compensation insurance.

Summary

Innkeeping is a risky business to get into. Make sure you have the right personality and know enough about the business and your competition before you start. You can give yourself a "competitive edge" through the special services you offer. There are many legal requirements for operating an inn. But don't let this stop you. Careful planning will help you avoid many problems.

Learning Activities

Individual Activities

1. Make a list of the personal qualities you should have in order to open an inn.

2. List ways to get experience and training as an innkeeper before you open your own business.

3. Think of the inns, motels, and hotels you have stayed in. Describe the services they provided that made them memorable.

4. Call your state and county licensing agency. Ask about the legal requirements for opening and running an inn. Make a list of these requirements and report to the class on what you have learned.

Discussion Question

List ways you can make <u>your</u> inn "stand out from the crowd." How hard do you think it will be to carry through with these decisions?

Group Activity

Invite an owner of an inn or small hotel to speak to your class. What questions would you like him or her to answer? Write down a list of at least 15 questions that would help you decide if this business is for you.

UNIT 2

Choosing a Location

Goal: To help you choose a good location for your inn.

Objective 1: List three things to think about in deciding where to locate your inn.

Objective 2: Pick the best location for an inn.

Objective 3: Decide whether your city or town would be a good location for an inn.

JERRY AND LYNN ARE IN THE RIGHT SPOT

Jerry and Lynn discuss the importance of a good location. "Location is probably the most important thing in the success of our inn. We're centrally located--near just about everything, but not quite downtown. Downtown is a 10-minute walk; Fisherman's Wharf and Ghirardelli Square are only 15 minutes away, and you can catch a cable car just around the corner.

"A lot of our guests are tourists on vacation, but there are a few who are in the city on business. People who come to a strange town don't want to be out in the middle of nowhere. They want to be in a place where they can get around easily without too much hassle.

"The biggest problem with this location is the parking situation. You may have noticed that there just isn't any available--or, if you're so lucky as actually to find a place, you have to move your car in a few hours or risk getting a ticket. We have an arrangement with the garage down the street. It costs guests an extra $4.50 to park their cars there and the garage closes at 10:00 p.m., but it's worth it because it's convenient.

"People really like being this close to a lot of restaurants, clubs, and stores in the area. They don't have to go far to see the sights--everything is right at our doorstep."

Choosing a Location

Your choice of locations will be one of the most important decisions you make when going into business, so think about it carefully. In this unit we will consider some of the facts you should think about when you choose a site for your inn.

You Come First

You can open up an inn in almost every kind of city. But your location must first fit your own requirements, especially if you intend to live there yourself. You have to think about weather, family, friends, your neighborhood, recreational facilities, and so on. If you are not happy living in or close to that city, you won't be happy having a business there.

Next Comes the City

What makes a particular city a good place for opening an inn? There are many things to consider--traffic patterns, the tourist business, the industry in the area, the scenery, and the number of other hotels, motels, inns, and boarding houses. But it all comes down to one thing--having people who need you.

Many times you have to play detective before you can decide if a particular city will be a good location for you. There are people, organizations, and publications that can help you. Here are some ideas.

1. Check with the local Chamber of Commerce for the "economic profile" of the community. Is this a stable community? Is the community growing--are many people moving into the area? What types of businesses are in the area?

2. Take a close look at the other motels and hotels in the area. Are they generally "booked," or do you see a lot of vacancy signs? How great a demand is there for rooms? Do visitors tend to stay a long time (a week) or a short time (over a weekend)? Are there "peak" seasons when these hotels and motels do most of their business, or is business fairly stable year-round?
3. You should also take a careful look at the actual and potential businesses and industries in the city. Certain companies may have many people traveling in and out of the area. Where do these business people stay?
4. Talk to other business people in the city. Talk to the people who will be your "neighbors." What do they think your chance of success is?
5. Talk to the old-timers and the newcomers in the hotel, motel, and inn business, and learn all you can from them. Perhaps you can't copy success, but you can learn some of their secrets. Learn why the failures failed and why the successes succeeded.
6. Local, state, and national hotel and tourist organizations can give you information and can direct you to other sources that can be helpful.
7. Several trade magazines and journals are written for people like you in the accommodations field. You may consider subscribing to those that will help you even before you become an innkeeper.
8. A real estate agent can give you ideas on costs of different areas and can tell you what buildings are currently for sale.
9. An architect may be able to give you advice on site selection, building design, engineering, materials, equipment, and other details in choosing the site and planning your inn.
10. The advice of an interior decorator may also be helpful. This person should have a knowledge of color and experience in design and decoration of public spaces.

All of these types of people and organizations are important to the success of your inn. You should feel free to consult them about your business plans.

The Right Spot within That City

The right location is the key to a successful inn. The first thing to do is to take a close look at your guests.

Your guests might include:

- vacationers who expect to use the inn as a headquarters while visiting in the area;
- commercial, business, or professional travelers;
- persons visiting relatives and friends who live nearby;
- persons attending conventions and meetings; and
- persons attracted by special events.

If your guests are business people, they will want to be in a location that is close to their work or meeting places. Public transportation might be important to these people.

If your inn is inconvenient for your guests, they may go elsewhere. But if your guests are vacationers, they may choose your inn because it is out-of-the way and in a quiet neighborhood. The trick is to attract people who will appreciate the qualities of your inn and for whom the location is appropriate. Here are some considerations in choosing the location for your inn.

1. Wherever you are, parking will probably be a consideration. A few spaces in front of your inn that are usually taken is not adequate. If your guests are frustrated looking for parking, they will blame you even though you don't deserve it. If parking is limited, you may consider arranging for guest parking in a local garage.
2. The availability of public transportation and access to local restaurants, theatres, stores, and clubs may add to the attractiveness of your inn.
3. Highway and street conditions can help, or hurt, your inn. If the lighting and pavement are bad, people may not want to stay at your inn.

Overbuilding

"Overbuilding" is a word you'll probably hear as you start looking around at possible inn sites. Overbuilding exists in an area where the total number of rooms available for guests is far beyond demand. There'll be vacancy signs hung out all over the place.

But an area that's overbuilt may still have a market for an inn. For instance, this can happen in places where there are several large hotels that handle commercial travelers on a very large scale but none that caters to guests who want privacy and a quiet place to relax.

Summary

Choosing a location for your inn is probably the most important decision you have to make. Check out a lot of buildings in different neighborhoods before you make your decision. When you've narrowed the field down to a few choices, talk to people and visit these places for several hours on a couple of different days to get a feel for them. Then you'll have an idea of whether that location would be good for your business.

Learning Activities

Individual Activities

1. List as many different sources of information as you can that will be of use to you in deciding where to locate your inn.

2. List four things to consider in choosing a specific site or building for your inn.

3. Explain how the following factors can affect your decision about where to locate your inn: kind of climate you prefer; where your parents live; closeness to tourist attractions; and parking.

4. Define the term "overbuilding." Why should you be concerned about overbuilding? In what situations is overbuilding not a problem?

Discussion Questions

1. Choose three cities or areas close to your school. Answer these questions about those areas.
   a. How many people live there?
   b. Is the area growing? How can you tell?
   c. Are there many inns, hotels, and motels in these areas? Are they usually full, or are there a lot of vacancies?
   d. What types of accommodations are the most popular and the most in demand? Why?
   e. What kinds of people (business people, vacationers, travelers) tend to use these accommodations?

2. Based on what you found out, which area would be the best one for an inn like the Bed and Breakfast Inn? In which area are the large commercial hotels most successful?

3. Consider the type of inn you would like to open. Which area would be the best one for an inn like yours?

Group Activity

Here is a list of things to think about when choosing a location for your inn. Rate them in order of importance (1-10). There are no "correct" answers. Discuss the reasons for your ratings with the class. Try to come up with a class rating.

1. The number of inns in the area
2. Easy to reach--transportation available
3. Population of town and surrounding area
4. Personal factors--personal preferences, family and friends nearby
5. Growth of the town (economic profile)--industries and companies in the area
6. Income of the population
7. Weather (climate)
8. Advertising media available
9. Type of guests who use these accommodations
10. Type of community--urban, rural, suburban, farm, industrial, resort or vacation spot

UNIT 3

Getting Money to Start

Goal: To help you plan how to borrow money to open and operate your inn.

Objective 1: Write a business description for your business.

Objective 2: Fill out a form showing how much money you will need.

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GETTING STARTED

When they bought the Victorian house, Jerry and Lynn had $100,000 from their savings and the sale of their former home. Scattered loans from friends amounted to another $50,000. They figured, with a bank loan, they could afford to pay the asking price of $200,000 for the house. They also needed about $50,000 to repair and renovate the house inside and out (home improvements).

Jerry and Lynn knew, too, that they had to buy furniture, equipment, and supplies before they could open the doors of their inn. And while they waited for their rooms to fill up, they needed funds to pay for the heat and electricity.

The bank agreed to give them a loan to buy the house and another loan for home improvements. In addition, Jerry and Lynn arranged to get more money to cover other start-up costs and operating expenses for the first six months. To get these loans, they first had to write a business plan describing how they planned to run the inn.

"The business plan was one of the hardest things I've ever had to write," complained Jerry. "We had to sit down and seriously try to plan for our business. It took a lot of work, because we had been living in a fantasy land of what we wanted to do; we weren't really thinking about what we needed to do or could even afford to do. Writing the business plan really helped us straighten out the details."

Getting Money to Start

All new businesses need money to start. Your own savings, and loans from your family and friends will probably be important sources of money to start your new business.

Where Will You Open Your Doors?

You may be lucky and already have a house you can use for your inn. If not, you'll have to buy one, and that takes a lot of money! Jerry and Lynn already had a good income. They also had friends who were willing to invest in them. They could afford to "put down" a large amount of money to buy the old Victorian house and pay for repairs and decorations. This was very helpful for them, but you may not have as much money available to you. What can you do?

Financial Arrangements

The price tag on the inn you are about to open will depend on:

- whether you have to buy the building;
- the money you need to redecorate;
- the changes you will have to make--such as additional plumbing and electrical fixtures; and
- your monthly operating expenses (salaries, supplies, etc.).

You may have to borrow money from a financial institution such as a bank, an investment company, or a building and loan association. The lender will want to know a lot about you and your plan for the inn before it will lend you money. You will have to show that you are a good business risk. You will be asked for the following information:

- personal background information (a resume);
- a description of your business; and
- a statement of financial need.

Loans are hard to get. Banks may lend up to half of the money you need if they can be convinced that: your business has a good potential for success; you are competent and reliable; and you have a good plan for repaying the loan

The Business Description

Jerry and Lynn found that they needed about $400,000 to open their inn. The Bed and Breakfast Inn was expensive to buy and cost a lot to renovate and decorate. Their costs were very high. Jerry and Lynn had to arrange for a bank loan to cover their costs. Your costs will probably be less. But you will still have to go through the same steps to borrow the money you need.

The loan officer at the bank must think you have "done your homework." Anyone who is going to lend you money has to believe you are a good investment.

That's where the business description comes in. Your description should be clearly and simply written. You should include the following information:

1. a description of the kind (and name) of innkeeping business you want to start;
2. the services you will provide;
3. the location of your inn and why you chose it;
4. the target customers (the market) you want to attract;
5. your competition in the area;
6. your management plan and strategy for success; and
7. the number of employees (if any) you plan to hire.

Starting Expenses

If you apply for a loan, how much money will you need? First, figure out how much money you have on hand. Decide how much you will need to start your business. Then ask the bank for the difference between these two amounts.

Let's assume you already have a house for your inn. You will not have to pay to rent space. In fact, you will actually be saving money, as you will be able to write off business expenses on your income tax form. However, you will still have a lot of start-up costs--furniture, cleaning and laundry equipment, linen, soap, towels, other supplies, and food (if you plan to serve it).

Other start-up expenses that may come up are: fees to register your business and file for a business identification number from the Internal Revenue Service; taxes; licenses; installation of extra telephones, plumbing and electrical fixtures in your house; the cost of employee salaries and benefits; business supplies (file folders, stamps, work order forms); and advertising.

You will also need some money to cover operating expenses for the first months you are in business--until your income from guests gets large enough to cover them. Operating expenses include utilities, advertising, and salaries--expenses you have every month just to keep your business running.

This is a sample financial statement form that you can use to list your expected expenses and money on hand. Different lenders may use different forms.

STATEMENT OF FINANCIAL NEED

Starting Expenses		Money on Hand	
Salaries	$	Cash on Hand	$
Building Expenses		Gifts or Personal Loans	
Repairs and Renovations		Investment by Others	_____
Equipment and Furniture		TOTAL	
Food and Supplies			
Advertising			
Other	_____		
TOTAL	$	TOTAL STARTING EXPENSES	$
		TOTAL MONEY ON HAND	_____
		TOTAL LOAN MONEY NEEDED	$

Summary

When you apply for a loan to start your inn, you will need to provide a business description and a statement of financial need. A business description gives the details of your business. The exact amount of money you need to start will depend on whether you already have a house available, the changes/improvements needed in the building, your decorating plans, your equipment and supply needs, and the cash you have available. This figure will be different, depending on the accommodations and services you plan to offer your guests.

Learning Activities

Individual Activities

1. What kinds of people do you think would go to a moderate-priced downtown hotel? What kinds would prefer an inn?

2. a. How much money did Jerry and Lynn have to spend on their various needs? (Choose your answers from the list on the right.)

	$ 50,000
_____ purchase of home	$100,000
_____ repairs and renovations	$150,000
_____ start-up costs and operating	$200,000
expenses for six months	$400,000

   b. If Jerry and Lynn planned to need $30,000 to run their inn for the first six months, how much did they expect to need for start-up costs (furniture, equipment, deposits, and licenses)?

Discussion Questions

1. What do you think a loan officer at a bank would be <u>most</u> interested in finding out about you and your business plans?

2. How can a business description help you start your business? Or, if your business is already started, how can a business description help you improve it?

Group Activity

Think about the kind of inn you'd like to open. Then write a short description of your business. Let's assume you already have a house in your town. Give the address where it is located. Here is a list of what you should include.

1) Name of owner
2) Name of inn
3) Services provided
4) Number of rooms
5) Location:
   Give one or two reasons why this is a good location
6) Competition:
   Names of other businesses (hotels, motels, and inns) offering similar services
   A brief summary on how you are unique
7) Potential customers:
   Who will use your inn? List as many possibilities as you can
8) Strategy for success:
   What will be your specialty?
   What is your initial advertising plan to attract guests?

UNIT 4

Being in Charge

Goal: To help you choose the people who work for you.

Objective 1: List the information needed on a job description.

Objective 2: List the qualities of a good boss.

RUNNING THE INN

Jerry and Lynn moved in at the beginning of January 1980 and set their opening date for June 30. The work seemed endless: sanding floors; painting; knocking down walls; searching out mattresses, rugs, curtains, period furniture, and equipment; printing and mailing brochures; and hiring staff.

Luckily, two sources of help turned up. Chris McShane, who had worked at a hotel for 18 years, took over the housekeeping department. And Jerry's brother Mather arrived to help out. Surprisingly, his physical labor was more helpful than his professional expertise as an accountant.

Breakfast was Lynn's responsibility. They hired Susan, a high school student, to help out. Breakfast, consisting of rolls, coffee or tea, and freshly squeezed orange juice, was organized by Lynn. Susan served breakfast, stacked and washed the dishes, and prepared the trays for the next day's breakfast.

Jerry began each day with a list of chores. "Running an inn is a thousand and one details. None of the tasks is really hard now that we're open, but all of them have to be done regularly. I help Lynn out in the kitchen, pick up the food orders, do several loads of wash, keep up with the bookkeeping, answer the mail, see the liquor salesperson, and cut the grass. Chris, Mather, and Susan all help out when I get too swamped with the inn and my work as an architect, but someone has to organize the team."

Jerry also hosts the cocktail hour in the library and--together with Lynn--serves Lynn's homemade hors d'oeuvres. But both Campbells take off one night a week and go out for dinner and a movie; then Mather and Chris take over the inn.

Being in Charge

You may reach a point in running your inn when you decide there's just too much work for you to do. Then you may consider hiring people to help you.

Hiring People to Work for You

There are a lot of things to think about when you become a boss of other people. For one, there's more paperwork--social security, income tax forms, pay checks, hourly reports, and employee benefits. Being in charge also involves hiring and training people, managing and supervising their work, and sometimes firing them.

If you have had past experience in hiring and supervising, so much the better. But if you haven't, don't be alarmed. Management is simply the art of getting people to cooperate with one another. In your case, you'll want help in making your inn well-run and profitable, so you'll look for people who are suited to help you do just that. Salaries may be one of your largest expenses. To attract top-notch and reliable help, the salary you offer must be good. It must also be comparable to the money paid by your competitors. The amount you pay your employees will depend on the type of work they will do and how much you can afford to pay.

In some of the smaller inns, a husband and wife team like Jerry and Lynn may be able to do most of the work. It is likely, however, that some additional help will be needed. In Jerry and Lynn's case, they both have other careers. Even though they work out of their home--the inn--they both have other responsibilities to meet and can't always be available to run the inn. Jerry and Lynn hired Susan to come in

part-time and help out with breakfast. They also hired Mather and Chris to help out. Other inns may have full-time employees--perhaps one or two people to do the maintenance work, housekeeping, and clerical work.

If you start out on your own, or with a very small staff, and find that you just can't handle all the work, it may be time to rethink your business practices. You can:

- cut down on the number of guests you take in;
- cut down on the number of services you provide; or
- hire someone to work for you.

Where to Find Your Employees

You may know someone who would work well with you at your inn. On the other hand, you may have to go out and find employees. You can find the right employees by talking with other inn, motel, and hotel operators in the area. You can ask other business people or your Chamber of Commerce. Or you can put ads in the local newspapers and employment agencies. Schools in the area with distributive education or hotel operations classes are another source of employees.

Hiring the Right People

You should choose the people you hire carefully. The image, reputation, and quality of service of your inn will depend on this. Begin with a detailed description of the job you want done.

Interview the people you are thinking of hiring. Try to find out what they are like. This is particularly important if the job they are expected to do involves dealing with people in situations in which first impressions are critical. Let them talk, and, when you listen, consider how you would react as a guest.

It is important that you treat each applicant with respect, whether or not you plan to hire him or her. You want every person who comes in contact with your inn to leave with a feeling that it is staffed by professional people.

Training New People

Once you have hired someone, training begins. What kind of work should you give a new employee? Start with simple work, not the hardest.

Most people learn best by watching and by doing, not by listening to you describe a job. You are the best teacher--let your employees learn by watching you and the way you work. Also, remember that having an enthusastic outlook yourself is contagious, and it will be reflected in your employees.

And Then the Ogre in You Comes Out

Once you hire someone, you have to establish an employer-employee relationship. That's different from being friends, because you are the one who is responsible for the quality of your emnployees' work. If you hire someone who just can't do the job, you have to be able to tell him or her. You can't be shy when it comes to giving advice and criticism to help your employees do a better job.

What are some employee problems you will have to deal with? You will have to deal with requests for raises, resignations in the middle of your busiest times, employees who are always late or sick, and people who just can't do the job. Every employer deals with these problems differently. How you do it will make a big difference in the success of your inn.

Communication Is the Key

Communication is nothing more than talking and listening. It shouldn't be much of a problem with just a few employees. Many employers find it helpful to get together regularly with their staff instead of leaving communication to chance. Some ideas for establishing regular communication are weekly meetings, a bulletin board, and a simple note or a word that tells the person "well done." (A little appreciation can go a long way!)

Summary

Running an inn is a full-time job. You will probably need help. If you hire people to work for you, then it is your responsibility to manage their work and to give them training and words of advice when necessary. Although being a good boss is only one of a business owner's responsibilities, it is central to the success of your business. If you have a good "team" working for you, you'll realize the personal rewards of having your own business.

Learning Activities

Individual Activities

1. The following statements are either true or false. In the blank before each statement, put T if the statement is true and F if it is false.

   _____ a. The owner of an inn should delegate the major responsibilities to employees and do what is left over.

   _____ b. People who apply for jobs in inns do not need to fill out job applications.

   _____ c. If you hire someone who has had experience working in hotels and inns, you won't have to give him or her any additional training.

   _____ d. Communication is the key to effective management. A good boss should always be open to listening to employees.

2. List some of the qualities you would look for in an employee for your inn.

3. An owner of an inn sent a job description to a local college and the State Employment Agency. Name two other places where she could have sent it.

4. List three negative qualities in a job applicant that could show up in a personal interview but not on an application form.

Discussion Questions

1. One of your employees has just asked for a raise. Her work has been good, but it has not been outstanding. What would you do?

2. How is being your own boss with no employees different from being an employer? Describe differences in responsibilities that these two people have.

3. You have just interviewed a person you are thinking of hiring to work in your inn. Your impression is that he is well qualified for the job. However, one of his references tells you that he is not very reliable--he often comes in late and calls in sick. What should you do?

Group Activity

How would you fire someone? Many people have realized, after they have let someone go, that they created a lot of bad feelings when they didn't have to. Write a list of "Dos" and "Don'ts." Here are some questions to give you.

1) What would you do about termination pay?
2) How much notice would you give?
3) Would you tell the person the real reasons why he or she was being fired?

UNIT 5

Keeping Track of Supplies and Schedules

Goal: To help you plan how to buy supplies and organize the work of your inn.

Objective 1: List three kinds of supplies you will need in your inn and five questions to ask yourself when ordering them.

Objective 2: Describe a method you can use to keep track of guest reservations and one you can use to keep track of employee work schedules.

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BUSY DAYS

Work at the Bed and Breakfast Inn starts at 5:00 in the morning. With a full house of guests, Lynn and Carol start arranging trays of breads, rolls, coffee, jams, and coffee cakes for their guests' breakfast. Carol starts serving at 7:00—some guests want to get an early start on seeing the sights.

The phone and doorbell ring at the same time, as usual. On the phone is one potential guest with a long list of questions that ends with a familiar question about bathrooms. "Some rooms have private baths, but most rooms share bathrooms," sighs Jerry. At the door is a couple with another commonly asked question. "We've heard so much about the inn--could we see it?" Jerry takes them on a tour, smiling as they exclaim over the gracious rooms and ask a flood of questions about how the Campbells decided to open their inn.

Jerry and Lynn disappear to their other work by 10:00. Jerry's work takes him out of the house, so Lynn usually handles all the calls, makes reservations, and deals with the guests and visitors who pop up. "I sometimes wonder how I manage to get my work done. Clothes designing takes a lot of concentration, and it's hard to concentrate when you are always needed elsewhere."

By this time, Chris has already started all the housekeeping chores, and Mather is busy carrying the dirty towels and sheets down to the laundry room. The inn is experimenting with a new soap. The guests like it, but Chris is finding that it turns into a messy glob when it gets wet. So much for the experiment. The man in the far corner room has spilled coffee over the rug—the spot needs to be cleaned, but they have run out of cleaner. A quick trip to the drug store is necessary. The couple in the middle room have asked for the vacant corner room with the wonderful view. Chris will fold their clothes and carry their belongings into their new room--graciously and with a smile.

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Keeping Track of Supplies and Schedules

Your Supplies

Your supplies are the materials you need to provide service to your guests. Knowing what you need and keeping track of it all is not easy. You may buy enough towels, but what do you say to a guest who "just happens" to walk off with one of them? The important thing in buying supplies is to plan ahead so you don't run out of something when you need it.

What sorts of supplies will you need to run an inn? You will need office supplies; cleaning and housekeeping supplies; food (if you plan to feed your guests); and personal items used by the guests (linens, towels, soap, bathmats, and ashtrays).

And then there are the special touches such as cut flowers and vases. If your guests share a common bathroom, you may consider supplying them with bathrobes. Some inns also supply shower caps for their guests. There is no end to special touches--and the supplies you will need to carry them out.

When you buy your supplies, don't buy "just enough." You're bound to run out of something pretty quickly. Buying in depth will help you keep a large enough supply on hand to meet the needs of your customers.

Here are some tips for buying your supply inventory. You should buy:

- in the right quantity;
- of the right quality (scratchy towels don't go over too well);
- at the best prices for you;

- from reliable suppliers who will give you the best service and prompt delivery; and
- at the right time (before you run out).

The Source of All Things

When you start looking for suppliers, there are three basic things to consider: when you will receive the supplies, how much time you have to pay the bill, and the discount you will be given for paying in cash. Some suppliers will give you special prices if you pay them before a certain day and in cash. When you open your inn, you would be wise to buy from suppliers who are located close to you. This way you won't have to worry about shipping costs or delivery dates. You will also be under less pressure to pre-plan your buying schedule, and be able to avoid the problems of having either too many supplies on hand (which takes up space), or too few. Keep careful records of what you have ordered, and when. Your supplier will also be keeping records. This way you both can be sure that you get what you want, when you want it.

Keeping a Tight Rein on Your Supply Closet

Keeping track of the supplies on hand is important if you want to give your guests careful and efficient service. Knowing what supplies you have in stock helps you plan for what you will need to buy in the future, and when. The simplest way to watch your supply needs is the "eyeball" method. Stack your supplies in piles so you can tell just by looking when you are getting low. If you are a small operation, this may be a good enough way to keep on top of things. However, this is not a very efficient way of keeping track of large numbers of items.

Another way to keep track of your inventory is actually counting the numbers of items you have on hand. A third type of inventory control system is one that your housekeeping staff can help you with. Each time

a room is cleaned, the staff can use a checklist to mark down exactly what is in the room and what may be missing.

Your choice of systems will depend on the size of your inn, the number of guests you can accommodate, and what is easiest for you. The important thing is to keep records so that you will know what you have and what you need. A good inventory control system will help your inn run smoothly.

Making Reservations for Your Guests

Many times people will plan and make reservations a long time in advance. You will have to be concerned about keeping track of your guests' reservations. It might get a little sticky if guests show up with a prepaid reservation and you've given their room away to someone else. That's where guest reservation forms come in. A reservation form will help you plan for your guests and keep track of their bills, payments, and deposits. Your reservation form should be as complete and foolproof as possible. You should fill out each one carefully.

Who's Going to Do It, and When?

If you run your inn yourself or with the help of a very small staff, you may not even want to bother with a work schedule--as long as you can keep track of what is to be done, where, and when. When you finish one job, you can just go on to the next job.

But sometimes a work schedule comes in handy, particularly if you have a lot of details to take care of and if you have other people working for you. A work schedule is usually a chart of work days and the people you have working for you. You should decide which persons will be responsible for which jobs and how long each job will take; then fill in the squares. Here is an example:

	Work to Be Done	Special Requirements	Date	Time Completed	Remarks
Susan L.	clean rooms	wash windows	12/1	5 pm	Bruce can help
Bruce C.	check in supplies	---	12/1	Noon	---

As the day goes by, you can look at the schedule and who is doing what, when it should be done, and when it is done. Schedules will help your workers get the most work done in a day.

Summary

In this unit you were introduced to the basic steps in buying and keeping track of supplies and organizing your work. You will need some basic supplies to run your inn. It is important to find reliable suppliers and to keep track of your inventory. It is also important to be organized so you can give your guests reliable service.

Learning Activities

Individual Activities

1. Consider the inn you would like to open and the services you would offer. What type of supplies will you need? Make a list of at least 10 items.

2. Check the Yellow Pages and list some of the kinds of suppliers you would contact to purchase the supplies for your inn (for example, a linen supply service).

3. List the reasons why it is important to complete a reservation form at the time a guest makes a reservation.

4. What is the purpose of a "control system" for supplies?

Discussion Questions

1. What are some of the things you need to consider in planning to purchase supplies for your inn?

2. The Bed and Breakfast Inn has a list inside the supply closet noting all linens and other items to be supplied to the guests every day. After each item is the number in stock at the beginning of the month. Every day the cleaning staff check off all supplies they take from the closet. What are the advantages of this system? The disadvantages? What other system could be used?

3. List the advantages of filling out an employee work schedule. What kinds of things could happen to throw this schedule off?

Group Activity

Part of your job as the owner of an inn will be to do many things that keep the business going. Here is a list of some of them. Add two other important tasks you can think of. As a group, see if you can estimate the amount of time you would spend on each task.

1) Writing out the weekly payroll checks for four employees
2) Calling the Yellow Pages and consulting about redesigning your ad
3) Dealing with an angry guest who is not satisfied with your service
4) Meeting with a tax consultant about getting a better tax break
5) Reading the morning mail--three bills, two letters, and six pieces of junk mail

If all of this happened in one day (which is possible but not likely), how much time would you have left over for doing business? If you were completely swamped with work, which of these tasks could be put off for another day?

UNIT 6

Setting Prices

Goal: To help you set prices for rooms in your inn.

Objective 1: List three things to consider in setting room prices for guests.

Objective 2: Set prices for your inn after being given certain "facts."

HOW PRICES ARE SET AT THE BED AND BREAKFAST INN

Since their inn had to be competitive, Jerry and Lynn decided to investigate what other hotels, motels, and inns in the area were charging. Hotel and motel rates tended to range from $30 a night per person to $75 a night per person; the average price for a single room was $54. The big downtown hotels tended to be more expensive. But these hotels also offered a wide variety of "extras"--limousine service, hotel-based shops and restaurants, color TV, cable movie channels, room service, etc.

The smaller hotels and motels that were located a distance away from the downtown area tended to be less expensive as well as less extravagant in the "extras" they offered.

At first Jerry and Lynn considered charging a standard price of $40 per night per person for their rooms. But some rooms were furnished more elegantly than others; some rooms had their own private baths; some rooms had nicer views. It seemed reasonable to charge different prices for different rooms. Also, their rooms were generally used by more than one person. So they decided to adjust their pricing methods a bit to reflect this. Here are the prices they finally came up with:

Room Numbers	Accommodations	Rates	
1, 3, 5 & 6	Large rooms with views of the city, king-size beds, private bath, sitting area	Single Double	$90 95
2 & 4	Twin beds, private baths	Single Double	55 60
7 & 9	Queen-size beds, shared bath	Single Double	45 50
8 & 10	King-size beds, shared bath	Single Double	45 50

Setting Prices

Innkeepers go about setting prices for their inns differently. Pricing is basically a matter of striking a balance. You want to make your prices high enough to earn profits and low enough to attract customers. You want to charge prices that will let you cover your costs, stay in line with the competition, and be able to go to a movie once in a while (your movie money comes from profits).

These are the four most important questions to ask in setting your prices.

1) What is your competition charging?
2) What are people willing to pay for your rooms?
3) What is your "break-even" point to cover your expenses?
4) How much profit do you want to make?

What Is Your Competition Charging?

In most businesses there is a "going rate." It is the average price your competitors charge for the same service. If you want to learn what the going rate is for room accommodations, just call your competitors (other inns, hotels, and motels) in the area and ask what they charge. This won't tell you exactly what to charge. It will give you a "ballpark figure."

What Are People Willing to Pay?

Even though hotels, motels, and inns are all in the same business of providing rooms for guests, most innkeepers do not consider motels and hotels real competition. Inns are quite different from hotels and

motels. They are also different from each other. The furniture, decor, and services of each inn are unique and often reflect the owner's personality and style. Often people will be willing to "pay a little more" to stay at a certain inn because something about its atmosphere appeals to them. In a situation like this, it is hard to figure a "fair" price. Set prices that are close to those of similar inns. If customer demand is really high or really low, change your prices accordingly.

What's Your Break-Even Point?

Another key to wise pricing is to charge enough money to cover your time and effort and your costs and expenses. You can find out how much it costs to run your inn by keeping simple but detailed records of all your spending and income.

In the inn business there is a delicate point at which the inn's income (revenue) exactly meets all costs but does not leave a single extra penny for profit. This is the break-even point. Knowing your break-even point will help you set your rates and decide whether you can add another washing machine or give your employees a salary increase.

Here are some of the facts that contribute to your break-even point.

- Fixed expenses: This is the money you have to pay out, whether you have one guest or 100. It includes interest on your loan, salaries, utilities, etc.
- Variable expenses: These costs will vary, depending on the number of guests you have. They include laundry, guest room supplies, food, and similar items.
- Occupancy rate: This refers to the average number of rooms that are filled at any one time. If you have ten rooms and rent five, your occupancy rate for that night is 50%. For a yearly rate, multiply the number of rooms available by the number of days you are open during the year. Figure out how many rooms you rented last year. Then calculate the percentage of rooms rented to rooms available.

Suppose you have ten rooms in your inn and an occupancy rate of 50%. (This means you rent an average of five rooms every night.) If you need to make $200 a day just to cover all your costs, you will have to charge an average of $40 per room per day to "break even."

$40/room x 5 rented rooms/day = $200

How Much Profit Do You Want?

Obviously, you will want your inn to do more than break even. You will want to make a profit. This means you'll have to charge more than your "break-even price."

Don't be afraid to allow for a decent profit. Take into account the money, time, and effort you put into your business. Remember that you'll need a salary and will have to pay income taxes. You may also want to invest in more furniture or other "improvements."

Things That Make Prices Go Up

You can set a higher price if you think the price you settled on won't last long. If the state of the economy is such that expenses are constantly going up, you should consider adding more to your prices now so you won't have to keep on raising prices (and upsetting your customers) later.

You can set a higher price if you are unique--if you are the only inn of your kind in the area or if you provide special services. This is because you will probably have to put in more time and effort in order to get the job done.

You can set a higher price if your operating expenses go up. For example, as the price of energy goes up, so will your utility bills.

You can set higher room rates if you need to hire more employees to assist you in your business.

Things That Make Prices Go Down

You may consider charging less than you calculated if there are many inns similar to yours in the area. You will be using your lower prices to attract and bring in customers.

You can charge less if you decide you don't want your business to expand at a fast rate. If you like things the way they are and a large profit is not absolutely essential for you, you may lower your prices or keep them at the same level.

If you enjoy working with a particular kind of customer, you might charge less to get those clients to come to your inn (for example, foreign tourists).

You may lower your prices if your operating expenses go down or if you can figure out an especially efficient way of providing your service.

Summary

Pricing is mostly a matter of finding the right balance between your costs and your competition's prices--and still making a fair profit. There are many factors to take into account when you are setting prices. You will lose your customers if your prices are too high. On the other hand, if your prices are too low, your profit may be too low for you to stay in business long. Setting prices is a very delicate part of a successful innkeeping business.

Learning Activities

Individual Activities

1. What does the term "break-even point" mean?

2. Name and define the two kinds of expenses that you will have in running your inn.

3. Describe four situations in which you might consider reducing the price of your rooms or keeping them at the same level, and why.

4. Name as many reasons as you can that might make your prices go up.

Discussion Questions

1. List and discuss the expenses (necessary and unnecessary) an inn owner might have that will affect his or her profits.

2. Take a good look at all the factors Jerry and Lynn took into consideration when they were deciding the prices to charge for their rooms. Can you think of any other facts they should have included? Think about the type of inn you would like to open and the services you would provide. List all the things you should find out and take into consideration in deciding what prices to charge.

Group Activity

Study three hotels, motels, or inns in your area. Pick ones you know personally or ones you see described in travel guides, newspapers, or the Yellow Pages. Find out their room prices if you can. Compare the three businesses and write a list of reasons why you think each would charge more or less than the others. Here are some things to consider:

1) location;
2) number of beds in the room;
3) TV and telephone provided;
4) private bathrooms; and
5) swimming pool or other "extras."

UNIT 7

Advertising and Selling

Goal: To help you learn ways to advertise your inn and bring customers in.

Objective 1: List some of the ways you can effectively advertise your inn.

Objective 2: Design a printed ad for your inn.

WORD OF MOUTH

The location of the Bed and Breakfast Inn, with all the restaurants, night life, stores, and historical attractions in the area, made it perfect for attacting tourists. "We knew once we opened we'd be able to get the tourist business. We're right on the beaten track, and we just knew if we could get people here once, they'd come back. But our biggest worry was getting the wrong kinds of guests--people we really wouldn't want to share our house with."

Unlike many other hotels, motels, and inns in the area, Jerry and Lynn do not go out of their way to advertise the inn. They thought about putting ads in the local papers and guidebooks but decided against it; they also considered hanging a sign outside their inn but decided against that too. Instead, they hung only a small bronze plate with the name of the inn.

"Our name and address are listed in the Yellow Pages, and sometimes if the other inns are full, they'll send guests here. We don't buy advertising, but we consider our guests the best advertising there is. If they're happy, they'll talk about us and send their friends here. And they'll come back themselves. Most of our guests find out about us by this word-of-mouth approach.

"Once the people are here, well, that's a different story. We've designed and printed a small brochure telling about the inn and the area, our prices, and the rules of the house. We don't take pets, and there's no cigar smoking. The brochure is available to anyone who wants it--we keep a stack on the side table. Some people take them as souvenirs. Other people take them to give to their friends and sometimes even local travel agents. Our guests end up doing most of our advertising for us.

"We've also gotten a lot of publicity lately--which is good and bad. There was a series of newpaper articles on local inns, and the TV stations picked up the story in the 6:00 news. So people are starting to hear about us."

Advertising and Selling

Every business needs customers. Until you have a number of steady customers, you may need to spend a lot of time, energy, and money just getting the word out.

Finding Out What Needs to be Done

Unlike the Bed and Breakfast Inn, most inns do advertise. Advertising is a way of telling people about what you can do for them. Of course, the very best form of advertising is by word of mouth. But people will start really talking about you and referring friends only after your business and your reputation are established. The purpose of advertising is to attract guests. Advertising tells people why they would like your inn and why they should choose yours instead of your competitor's.

Public relations includes all your dealings with the public and the impressions you and your inn make. It is sometimes called goodwill and includes word-of-mouth advertising. There are also many people writing books and articles about local inns. This publicity is done by someone else--and is an "extra." Meanwhile, you and your employees should be working all the time on public relations. By advertising your inn well and having good public relations, you can market your "product" successfully.

What Kind? Where?

What are the most effective ways to advertise your inn? Like any other business, you have to advertise where the action is. Take a good

look at yourself, your inn, and your guests. Then ask yourself these questions.

What kind of image do I want my inn to have?
How is my inn different from my competition?
Who are my customers, and what are their tastes?
Why do they choose my inn?

A really good advertising campaign can be very expensive. But you can substitute imagination and good public relations for lots of money. The first thing to do is to find out what your guests probably read and listen to before you decide on the best way to advertise.

Here are a few ways you can advertise your inn.

The Yellow Pages. Your local Yellow Pages is one of the first places people will turn to when they are looking for a place to stay. Many inns are listed in more than one telephone book. How much an ad in the Yellow Pages costs depends on how big your ad is and how big the city is.

Ads in tourist guides and newspapers are sometimes used to attract guests. Prices will vary depending on the circulation of the publication and the size of your ad. These ads reach a lot of people. And given the number of people you reach, the cost is relatively inexpensive.

Direct mail advertising and brochures are other ways of advertising your inn. Well-designed direct mail advertising about you and your inn can do a large part of your selling job for you. The most effective direct mail advertising comes from having a good mailing list.

Developing a list of your guests is one of the keys to success in the innkeeping business. When guests stay at your inn, be sure to get their names and addresses. Then, when you add a new service (like a restaurant), you have a number of people you can contact who already know you. This list is invaluable, since people who have stayed at your inn once will be interested in what you have to offer.

You can also put brochures in the lobby of your inn. Your customers will often take them home and pass them out on their own. You may want to include some artwork to get people's attention. Use only the finest quality paper, printing, and design. If your printed advertising looks cheap and sloppy, your guests may reach the same conclusion about your inn.

Goodwill means getting people to feel good about your inn. It may be the engraved matchbooks and other gifts you offer your guests, a free travel lecture you give to a local group, or a donation you give to charity. It is the thing that makes people think of you when a friend asks them about a good place to stay.

Everyone who uses goodwill--those unexpected special touches--as part of their advertising does it differently. Sometimes it doesn't seem as if the effort that goes into goodwill brings any results. But it does. Your special touches will help people remember you when they are in need of your services again. Those special touches may also bring your inn to the attention of the news media, journalists, and travel guide authors who may be doing a story on "the best places to stay" in your city.

In addition...Two of the most effective business-getters for your inn are (a) its external appearance, and (b) word-of-mouth advertising. They will probably bring in more guests than all your other advertising efforts combined. If the appearance of your inn is unattractive and your guests don't "spread the word," your best advertising efforts might be for nothing. To be sure, paid advertising will help bring in business. However, your inn's appearance and the voices of satisfied guests really have the most to do with making your inn successful.

Qualities of a Good Ad

Here are ideas for writing a good ad.

- Make your ads simple, informative, and truthful, as well as attractive and imaginative.
- Make your ads easy to recognize. Give your ads a consistent personality and style. For example, design your own logo.
- Use illustrations and pictures to tell people about your inn and the services you provide for your guests.
- Show the reader the benefits of coming to your inn. People want to know, "What's in it for me?"
- Use action words to encourage customers to call you--right away.

A printed ad should have these parts: (1) headline; (2) illustration; (3) copy (the text); (4) layout (how it looks on the page); and (5) identification (the business' name, address, and phone number).

Summary

However you choose to advertise your inn, your advertising campaign should be well planned, distinctive, and consistent with the image of your inn. Word-of-mouth advertising from satisified customers is especially important in this business.

Learning Activities

Individual Activities

1. List at least four qualities of a good ad.

2. Think about the kind of inn you would like to open. Design a large ad to put in the Yellow Pages. Include all the information that you would want to put into your ad. Even if the artwork is not perfect, draw a sketch to show your ideas.

3. Match the advertising medium on the right with the phrase best describing it.

_____	Most effective form of advertising for inns	A. Travel guide
_____	Good for reaching people who are already in need of your service	B. Goodwill
_____	Effectiveness is often indirect and not obvious	C. Newspaper
		D. Word of mouth

Discussion Questions

1. Read the section on "goodwill." Brainstorm ideas for spreading the word about your inn that would come under this heading.

2. Brainstorm and list examples of advertising techniques that can be used to tell people about an inn such as special services, magazine articles, and photographs.

3. Why did Jerry and Lynn decide not to advertise their inn? Do you think this was a wise decision?

Group Activity

Find one or more ads for inns in the newspaper or Yellow Pages. If you can't find any ads for inns, find a few for hotels or motels. Look at the themes used to attract guests. Are they effective? What about the narrative, illustrations, and layout? Analyze the ads and choose a "good" and a "bad" one. Show your choices to the class, and suggest ways the ads can be improved.

UNIT 8

Keeping Financial Records

Goal: To help you learn how to keep financial records for your inn.

Objective 1: Fill out a room receipt or a bill for a guest.

Objective 2: Fill out a daily cash sheet that records money coming in and going out of your business.

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DAILY RECORDS

Service is the name of the game, but Jerry and Lynn soon found that bookkeeping was just as important. Jerry's brother helped them set up a good bookkeeping system, but there were still many details to be concerned about.

"When someone makes a reservation we ask for a credit card number; then if the person doesn't show up, we won't lose too much money. The credit card is our guarantee, but it's also the guest's guarantee that the reservation has been made and that we will keep a place for him or her.

"When a guest checks out, we fill out a very detailed receipt. We list all additional charges--like parking and telephone calls--and add them to the room charges. We also write down how much tax is charged. Then we keep a copy and give the guest a copy. All inns and hotels use a system like this.

"We look at these records every day and fill out a daily cash sheet, which lists the money we took in from our guests and the money we paid out in bills. If you just go by the daily cash sheet it can look pretty bad, because some days we pay more for bills than we take in. That's when we start biting out nails. But when we add these sheets up each month and at the end of the year, we get the big picture, and things usually look much better."

Keeping Financial Records

Keeping financial records is a must for any business. You need a clear way to keep track of your income and expenses. Good recordkeeping will help you plan and manage your inn intelligently and spot problems quickly.

Collecting the Money

When a guest checks out of the inn, you should fill out a receipt for the money paid and give the guest a copy. Guest receipts should be itemized. That means that you should write down the reasons for every charge such as parking, telephone calls, laundry, etc. Here is part of a sample guest receipt:

GUEST RECEIPT

Guests's Name _____

Arrive Depart No. Days Rate

Item Charge Tax Total

GRAND TOTAL _____

Some inns ask guests to put a deposit on their room in advance. This amount is then subtracted from the total bill when the guest checks out. Other inns may wait until the guest is ready to check out before they ask for payment. You may consider setting up a credit account for your very regular guests. Giving credit means that your guests don't have to pay at the end of each stay. Instead, you agree to keep a record and send them a bill later.

To Give or Not to Give Credit: Credit Cards

If you're just starting out in your innkeeping business, you should make some arrangements with the major credit card companies such as American Express, Visa, or MasterCard. This way, your guests can pay for their rooms with their credit cards, and you won't be responsible for handling a lot of cash or sending out bills. Credit card companies screen applicants, provide cards, and take responsibility for billing the customer. The major credit card companies "guarantee" payment of bills. This means the credit card company will pay the bill in full whether or not the customer has paid the company. The advantages of this credit system are that: (1) it is a convenient service for the customer; (2) it reduces your risk of giving credit; and (3) your money is not tied up in debts and unpaid bills.

Many inns, motels, and hotels will use credit cards to "guarantee" reservations. This way, when guests with reservations fail to show up, you won't be stuck with empty rooms and no profit. To participate in a major credit card plan, you usually have to pay the credit company a percentage (usually 3%-4%) of all charged sales. In return, however, you get many benefits.

Easy Come, Easy Go: The Daily Cash Sheet

Hopefully, you will be receiving money every day that you are open. Many people will pay with a personal check or traveler's checks (cash)

when they leave the inn. Credit card companies and individuals will be sending you checks in the mail to cover bills received during the past month. Keeping a daily record means that you'll know exactly what is going on in your business.

You will also have to pay your bills. While you may not do this every day, you will be doing it throughout the month. Your telephone bill may be due on one day, your gas and electric bill on another, and your laundry bill on yet another.

A daily cash sheet like this can be used to keep track of the money coming into and going out of your business every day. This form has been filled out for you so you can see how Jerry and Lynn keep track of their cash flow at the Bed and Breakfast Inn.

DAILY CASH SHEET

Cash Receipts		Cash Payments	
Cash Sales	$125.00	Salaries	$400.00
Credit Sales	185.00	Building Expenses	--
		Equipment and Furniture	163.00
		Supplies	57.00
		Advertising	--
		Telephone	179.43
		Garbage	42.75
		Other	--
TOTAL CASH RECEIPTS	$310.00	TOTAL CASH PAYMENTS	$842.18

As you can see, on this particular day Jerry and Lynn paid out more than they took in. But remember, the phone and garbage collection bills come only once a month. What matters is the cash left over at the end of the month.

To fill out this form, you add up all the money you received in a day--the currency and checks from current guests and the checks received from past credit sales. Enter these figures on the form. Then look at the bills you paid out that day to the utility company, business supplies, laundry, etc., and add these up.

Daily cash sheets can be added up monthly and yearly. These figures are used to help fill out the profit/loss statement and the balance sheet. We will describe profit/loss statements in the next unit. If you do go into business for yourself, get the advice of an accountant about how to complete a balance sheet.

You probably know that there is much more to keeping records than this. You also have to complete employee records, payrolls, income forms, and others. Keeping records--rather than making your life harder--is supposed to make it easier.

Summary

Keeping good financial records is an important part of owning and operating an inn. Your bookkeeping system will be based on your guest receipts and bills. Keeping daily records of your income and expenses will show where you are spending money and how much you are taking in and will help you plan for the success of your inn.

Learning Activities

Individual Activities

1. Using this information, fill out the following daily cash sheet:

Cash Sales: Dr. Goldberg..... $91.00
Amy Johnson..... $90.00 + $1.85 telephone
+ $12.79 laundry
Leo Roberts..... $180.00 + $13.50 parking
+ $22.85 telephone

Payments: Sally Newcombe (bakery goods)....$300.00
Wholesale Office Supplies.....$125.91
Telephone Company.....$ 80.43
Laundry.....$150.00
Flower Shop.....$ 27.90

DAILY CASH SHEET			
Cash Receipts		Cash Payments	
Cash Sales	____	Salaries	____
Credit Sales	____	Building Expenses	____
		Equipment and Furniture	____
		Supplies	____
		Advertising	____
		Telephone	____
		Garbage Collection	____
		Food	____
		Laundry	____
		Utilities	____
		Flower Shop	____
		Other	____
TOTAL CASH RECEIPTS	____	TOTAL CASH PAYMENTS	____

2. Why should you itemize all expenses on a guest's receipt?

3. Fill out the guest receipt in this unit for Tom and Ann Adams, who stayed three days in Room 1 at a rate of $95.00 a day. They arrived on June 6 and left on June 9. The tax rate (for the room only) is 6%. Include the following items:
   Parking (three nights)..... $13.50
   Laundry and drycleaning..... $ 6.75
   Telephone calls..... $ 1.00

Discussion Questions

1. More and more people expect businesses to accept credit cards or give them credit accounts. Some claim it is "easier" for them to write one check at the end of the month. Others say that they are

"short of cash." Discuss the advantages and disadvantages of having lots of credit accounts.

2. What are the reasons why it is important to keep good financial records?

3. What are the benefits of completing a cash sheet on a daily basis? Why do you think some businesses don't do this?

Group Activity

Business owners are always making decisions about how to change their businesses to make them more successful. Make a list of ways an innkeeper could change his or her business depending on its financial condition. (For example, if there was lots of business, the innkeeper might want to hire more employees.) Use two columns for your list--changes to make if the business is doing well and changes to make if the business is doing poorly. Discuss how good financial records will help the innkeeper make these decisions.

UNIT 9

Keeping Your Business Successful

Goal: To help you learn how to keep your inn "in the black."

Objective 1: Figure out the net profit, profit ratio, and expense ratio for an inn.

Objective 2: Describe at least one way to increase your profits.

Objective 3: Suggest a way to change your business to increase sales and attract more guests.

JERRY AND LYNN ARE SATISFIED

When the first year was over, Jerry and Lynn took stock. Financially, the Bed and Breakfast Inn did fairly well. But the nonstop work had been a terrible shock, and Jerry was tempted to sell out. Lynn's cooler head prevailed.

The second year was better. Room rates were increased by 5%, but this didn't seem to hurt business. Their occupancy rate was higher, so they took in more money. The second year they didn't have the major expense of fixing and remodeling the building. They had taken care of that in the first year. And as they got more organized, things went more smoothly.

"We think it's part of our job to make staying here an experience for our guests. We feel we are welcoming people into our home." Most of the Bed and Breakfast Inn guests respond in kind, and Jerry and Lynn take great pleasure in them.

Occasionally, guests are rude and tell of orders such as, "Send someone for my bags." This upsets Jerry and Lynn. But most of their guests are very satisified with the inn and take the time to compliment Jerry and Lynn. The pleasure they get from serving their guests makes all the work and financial insecurity worthwhile.

Jerry and Lynn look forward to a time when they can afford a larger staff so they can be free to spend more time with their guests. Lynn would also like to add a restaurant service to the inn. That will come later.

Keeping Your Business Successful

Every business owner wants to be successful. This is obvious. But how to be successful is not always obvious.

Profit/Loss Statement

To look at your income and expenses over the whole year, you need a profit/loss (P/L) statement. The P/L statement shows how much your guests paid you over the year (revenues). It shows you the costs of goods sold to your guests (in this case, food) and how much you spent on operating expenses. To find out how much your business made, you have to figure out your net profit. Net profit is the money left over after you've paid all your expenses and bills.

Net Profit = Revenues - Costs and Expenses; or
Gross Profit - Expenses

You also need to know what percent of your business ended up as profit and what percent went to expenses. Use these formulas to figure out your profit and expense ratios:

$$\text{Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenues}} \qquad \text{Expense Ratio} = \frac{\text{Expenses}}{\text{Revenues}}$$

Here is a two-year P/L statement for the Bed and Breakfast Inn.

TWO-YEAR PROFIT/LOSS STATEMENT

	Year 2		Year 3	
	$	%	$	%
Revenues	$95,000	100%	$103,000	100%
Costs of Goods Sold	9,500		10,300	
Gross Profit	$85,500		$ 92,700	
Expenses				
Salaries	21,000		23,000	
Utilities	6,250		8,000	
Maintenance and Repairs	3,000		3,200	
Laundry	3,000		3,000	
Supplies	2,000		2,500	
Advertising	1,500		1,880	
Insurance	2,500		2,700	
Payment on Loan Debt	30,000		30,000	
Other	2,000		4,000	
TOTAL	71,250	75%	78,280	76%
Net Profit	$14,250	15%	$ 14,420	14%

The Bed and Breakfast Inn's profit for Year 2 was $14,250; for Year 3 it was $14,420. The profit and expense ratios for Years 2 and 3 were:

		Year 2		Year 3	
Profit Ratio =	$\frac{\text{Net Profit}}{\text{Revenues}}$	$\frac{\$14,250}{\$95,000}$ = 15%;		$\frac{\$ 14,420}{\$103,000}$ = 14%	
Expense Ratio =	$\frac{\text{Expenses}}{\text{Revenues}}$	$\frac{\$71,250}{\$95,000}$ = 75%;		$\frac{\$ 78,280}{\$103,000}$ = 76%	

As you can see, the Bed and Breakfast Inn brought in slightly more profit dollars in Year 3 than in Year 2. However, its expense ratio was higher than in Year 2. This meant that Jerry and Lynn spent a greater percentage of their revenues on expenses in Year 3 than they did in Year 2. If they had kept their expense ratio at 75%, they would have made <u>even more</u> profit in Year 3.

How to Improve Your Profits

There are several ways you can improve your profits in your business. You can increase your number of guests; raise your prices; reduce your expenses; or expand your business. Each one of these takes a lot of thinking and, often, some risks. You must find out where you are having problems before you can decide what to do.

Increasing the number of guests may mean more work for you, more employees, and more advertising. Ask how your guests learned about your inn so you can put more money into the kinds of advertising that have been most successful.

It would seem that raising prices would be the quickest and easiest way to raise your profits. But it's not always that easy. If you suddenly become more expensive than your competitors, you may find the number of guests dropping off.

To reduce expenses, look at each expense and decide where you can "cut corners" without lowering the quality of your inn. When you start thinking about ways to lower expenses, here are some questions you can ask.

1. Can you offer lower wages without hurting the quality of service you are giving? Can you increase the responsibilities of the employees you have so you won't need to hire more?
2. Can you cut costs of food and supplies? Can you find suppliers who will give you better prices?
3. Are your advertising methods cost-effective? Are these efforts bringing in guests?
4. Are there any ways you can cut down on electricity, gas, and phone bills? Are you wasting gasoline or water?
5. Is there any way you can do some of the bookkeeping work yourself instead of using a bookkeeper?

Expanding Your Services

Many inns find that the best way to increase sales (and profits) is to offer new services. Find out what else your customers want and then figure out what you can do, and if you can afford to do it. Adding more services for customers (like airport limousine service) is one way of expanding your business and providing the type of personalized service that will bring guests in.

If you find yourself turning away guests because the inn is full, you may want to consider expanding. You may add more rooms (if the zoning laws allow it). Or you may even invest in a second inn. If you increase the number of rooms, you will also increase the work load. And the larger your inn grows, the less you will be able to supervise all details. You will have to consider hiring more employees and even a "manager."

You should make the decision to expand your inn very carefully. Before you act, take a close look at how much you like the innkeeping business, the type of image and personality you want for your inn, and the future plans you have for your business.

Summary

You can calculate your business profits and compare them year to year by recording your income and expenses on a profit/loss statement. To increase profits you can try to increase your sales, raise prices, reduce your expenses, or expand your business.

Today, more than ever, price-conscious travelers are planning carefully and holding back on decisions to spend money until they find the right spot for them. But an efficient and imaginative inn owner who is in touch with guests' needs and tastes can be successful. By maintaining a distinctive image and a reputation for quality service, an inn can always attract guests who are looking for that "someplace special" to stay.

Learning Activities

Individual Activities

1. Define the terms net profit, profit ratio, and expense ratio.

2a. Jerry & Lynn's inn had revenues of $200,000 in Year 4. Their costs of goods sold were $20,000. Their operating expenses were $148,000. Fill out their shortened P/L statement below for Year 4.

	Year 4	
	$	%
Revenues	_____	100
Cost of Goods Sold	_____	
Gross Profit	_____	
Expenses	_____	____
Net Profit	_____	____

b. In which year were revenues highest--Years 2, 3, or 4?

c. In which year was net profit highest?

d. In which year was the profit ratio highest?

e. Which was the best year?

3. What are the advantages and disadvantages of raising your prices to increase your revenues?

4. What are the advantages and disadvantages of lowering your prices to increase your sales?

Discussion Questions

1. Many inn owners do not want to "go big." They don't want to take in more guests or hire more people. Can you give some reasons for this?

2. List as many reasons as you can why sales and profit in the innkeeping business might decline.

Group Activity

As a class, list at least 15 different activities that you would have to do if you were the owner or were going to be the owner of an inn. Here are some examples to get you started.

Call the telephone company to get hooked up
Check out several places for the best location
Interview people to hire
Order paper and supplies

After you have your list, see how you feel about doing each activity. Give yourself 3 points if you enjoy doing that activity, 2 points if you wouldn't mind doing it, 1 point if you would do it but wouldn't like it, and 0 if you wouldn't do it, no matter what!

There are no "correct" answers. And the person with the most points doesn't "win." It is an exercise for you to see if owning and operating an inn might be for you.

SUMMARY

This module has described the responsibilities of owning an inn. To start an inn, you need to do lots of planning. First you have to be sure that owning a small business is right for you. Then you have to decide what services to offer, how to compete, and what legal requirements to meet.

To pick a good location, you have to find out if customers would use your inn. Then you have to get money to start. That means showing a banker that your idea is a good one.

Being in charge means dividing the work and hiring good workers. Then you must keep track of jobs to be done and who will do them.

Setting prices means figuring out the lowest price you can charge and also the highest price. To do this, you need information on your expenses and on your competition's prices.

Advertising and selling are the ways you get customers. The good things your business does in town are called goodwill. These are all important ways to help your business succeed.

You should keep good financial records so you will know how the business is doing. Then you can decide if you can expand your business or if you need to cut it back.

In order to own and operate a successful inn, you need training, work experience, and the special business management skills we have covered in this module. If you have not had a course in hotel administration, you should take one before deciding to own an inn. You can learn business management skills through business classes, experience, or by using the advice and example of an expert.

You may not make a lot of money by owning an inn. However, you will have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own inn.

QUIZ

1. Which statement is most true?
   a. Most inns are like hotels but are smaller.
   b. Inns provide unique services not found in hotels.
   c. Inns are relatively inexpensive businesses to start.
   d. Inns are so specialized that there is usually little or no competition.

2. Which of the following is probably the most important factor in the success of an inn?
   a. Redecorating the interior of the inn
   b. Having a degree in hotel administration
   c. Locating the inn in a major city
   d. Giving quality service and personal attention

3. Which of the following statements is false?
   a. If you open an inn, you may be required to get a business license.
   b. If you serve food, you'll need a health permit.
   c. If your inn is a private home, you can open it without a license.

4. List two things to think about when choosing a location for your inn.
   a. _____
   b. _____

5. The best location for an inn
   a. is on a busy street.
   b. is in an out-of-the-way spot.
   c. depends on the type of inn you have and the guests you want.

6. Which of the following do you need to include in your business description to get money from the bank?
   a. Your training and experience in innkeeping
   b. The amount of money you have to invest
   c. The ways you plan to attract guests

7. Which of the following would you need to include in your statement of financial need?
   a. How much you made on your last job
   b. How much your parents make
   c. How much money your friends will invest in your business

8. Which information would you need to include on a job description?
   a. Duties and hours
   b. Desired age and sex of employee
   c. Directions to the office

9. List three types of supplies needed by an inn.
   a. _____
   b. _____
   c. _____

10. Describe two types of inventory control systems.
   a. _____
   b. _____

11. List three factors you should consider when setting prices for your inn.

    a. _____

    b. _____

    c. _____

12. Which of the following would be counted as operating expenses?

    a. The bills that guests haven't paid

    b. Your employees' salaries

    c. A much-needed vacation for you

13. List five ways of advertising your inn.

    a. _____

    b. _____

    c. _____

    d. _____

    e. _____

14. Which of the following is the best advice for designing a newspaper ad for your inn?

    a. Use a "catchy" slogan

    b. Give a full list of room rates

    c. Change your illustrations every week

    d. Write five paragraphs on why you're the best

15. Which of the following would <u>not</u> appear on an itemized bill from an inn?

    a. Food

    b. Parking

    c. Telephone calls

    d. Linens and bath soap

    e. Room rental and taxes

16. Which of the following information does a daily cash sheet include?

    a. Cash sales and payments

    b. Cash sales, payments, and profits

    c. Cash sales, payments, and debts

    d. Cash sales, payments, profits, and debts

17. Maria's records for last year show total revenues of $150,000, gross profit of $135,000, and total expenses of $112,500. Compute the following:

    a. Net profit = $_____

    b. Profit ratio = _____ %

    c. Expense ratio = _____ %

18. Which statement is <u>most</u> true?

    a. Reducing your expenses is one way to increase your profits.

    b. Raising your prices one way to increase your volume of sales.

    c. Lowering your prices is one way to increase your profit per customer.

19. List two things you can do in the innkeeping business to increase your revenues.

    a. _____

    b. _____

GPO 791-663/246

PROJECT PRODUCTS

Entrepreneurship Training Components

Vocational Discipline	Module Number and Title
General	Module 1 - Getting Down to Business: What's It All About?
Agriculture	Module 2 - Farm Equipment Repair
	Module 3 - Tree Service
	Module 4 - Garden Center
	Module 5 - Fertilizer and Pesticide Service
	Module 6 - Dairy Farming
Marketing and Distribution	Module 7 - Apparel Store
	Module 8 - Specialty Food Store
	Module 9 - Travel Agency
	Module 10 - Bicycle Store
	Module 11 - Flower and Plant Store
	Module 12 - Business and Personal Service
	Module 13 - Innkeeping
Health	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spa
Business and Office	Module 17 - Answering Service
	Module 18 - Secretarial Service
	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
Occupational Home Economics	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - Housecleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
Technical	Module 27 - Guard Service
	Module 28 - Pest Control Service
	Module 29 - Energy Specialist Service
Trades and Industry	Module 30 - Hair Styling Shop
	Module 31 - Auto Repair Shop
	Module 32 - Welding Business
	Module 33 - Construction Electrician Business
	Module 34 - Carpentry Business
	Module 35 - Plumbing Business
	Module 36 - Air Conditioning and Heating Service

Related Resources

Resource Guide of Existing Entrepreneurship Materials

Handbook on Utilization of the Entrepreneurship Training Components